Ventersdorp Local Municipality
Annual Financial Statements
for the year ended 30 June 2014

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Providing municipal services
Mayoral committee	
Mayor	Cllr Phoyane CN
	Cllr Matome JM
Councillors	Cllr Motshabi T
	Cllr Motladiile JM
	Cllr Matinyane M
	Cllr Mjuleni MJ
	Cllr Qankase VW
	Cllr Moabi SN
	Cllr Matinyane WM
	Cllr Links JL
	Cllr Mogwata C
	Cllr Jones A
Grading of local authority	Five(5)
Accounting Officer	BJ Makade Municipal Manager
Chief Finance Officer (CFO)	MI Moruti
Registered office	No.1 Van Tonder Crescent Ventersdorp 2710
Business address	No.1 Van Tonder Crescent Ventersdorp 2710
Postal address	Private Bag X 1010 Ventersdorp 2710
Bankers	ABSA Bank Limited
Auditors	The Office of the Auditor General 124 Kock Street Rustenburg 0030
Attorneys	Van Rensburg Attorneys De Swadt Vogel Myambo Attorneys VA Mazabane Attorneys Waks Silent Attorneys Raborifi .R. Inc Attorneys LB Inc Attorneys Mokonyane Inc. Attorneys

General Information

Enabling legislation	Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (Act 6 of 2004) Division of Revenue Act (Act 2 of 2013)

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
NWPLG	North West Provincial Local Government
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
DWA	Department of Water Affairs
FMG	Financial Management Grant
PMU	Project Management Unit

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer is primarily responsible for the financial affairs of the municipality.

The annual financial statements set out on pages 6 to 90, which have been prepared on the going concern basis, were approved by the accounting officer on 29 August 2014 and were signed on its behalf by:

Accounting Officer
BJ Makade - Municipal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2014.

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services and operates principally in the North West Province in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

We draw attention to the fact that at 30 June 2014, the municipality had accumulated surplus of 372,066,765 and that the municipality's total assets exceed its liabilities by 372,066,765.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

None.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is Mr BJ Makade - Municipal Manager.

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013
Assets			
Current Assets			
Inventories	3	26,554,340	24,531,444
Receivables from exchange transactions	5	133,097	742,502
Receivables from non-exchange transactions	6	9,540,293	6,917,152
VAT receivable	7	11,359,004	5,984,859
Consumer debtors	8	35,434,637	26,354,583
Cash and cash equivalents	9	9,285,767	10,710,804
		92,307,138	**75,241,344**
Non-Current Assets			
Investment property	10	59,902,708	57,228,793
Property, plant and equipment	11	394,714,187	372,460,069
Intangible assets	12	251,495	151,606
Other financial assets	4	203,627	180,297
		455,072,017	**430,020,765**
Total Assets		**547,379,155**	**505,262,109**
Liabilities			
Current Liabilities			
Other financial liabilities	15	61,801,863	54,638,122
Payables from exchange transactions	16	91,051,787	56,241,655
Consumer deposits	17	1,152,332	1,111,765
Unspent conditional grants and receipts	18	12,041,167	20,139,871
		166,047,149	**132,131,413**
Non-Current Liabilities			
Other financial liabilities	15	545,551	2,605,243
Employee benefit obligation	13	3,978,000	3,915,863
Provisions	19	4,741,690	6,740,994
		9,265,241	**13,262,100**
Total Liabilities		**175,312,390**	**145,393,513**
Net Assets		**372,066,765**	**359,868,596**
Reserves			
Housing Development Funds	14	-	156,314
Accumulated surplus		372,066,765	359,712,282
Total Net Assets		**372,066,765**	**359,868,596**

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue			
Service charges	22	43,859,228	41,682,569
Rental of facilities and equipment		100,542	75,107
Licences and permits		2,629,818	2,440,287
Other income	24	506,519	901,460
Interest received - investment	25	687,059	738,945
Fines		5,817,636	3,176,973
Property rates	21	5,458,424	2,044,399
Government grants & subsidies	23	96,438,072	86,722,454
Total revenue		**155,497,298**	**137,782,194**
Expenditure			
Employee related costs	26	(36,320,558)	(31,608,735)
Remuneration of councillors	27	(3,176,616)	(2,734,666)
Increase/(decrease) in provisions	28	1,082,862	(1,638,897)
Depreciation and amortisation	29	(18,214,749)	(16,488,171)
Finance costs	30	(10,423,192)	(5,394,451)
Provision - bad debts	31	(2,171,039)	2,442,586
Repairs and maintenance		(5,107,688)	(4,249,964)
Bulk purchases	33	(34,389,634)	(34,076,871)
Contracted services	32	(5,199,959)	(3,982,286)
General Expenses	34	(33,888,244)	(19,643,343)
Total expenditure		**(147,808,817)**	**(117,374,798)**
Operating surplus		**7,688,481**	**20,407,396**
Fair value adjustments		2,699,679	3,662,609
Surplus for the year		**10,388,160**	**24,070,005**

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Opening balance as previously reported	157,188	205,474,396	205,631,584
Adjustments			
Prior year adjustments	-	109,339,409	109,339,409
Balance at 01 July 2012 as restated	**157,188**	**314,813,805**	**314,970,993**
Changes in net assets			
Surplus for the year	-	24,070,005	24,070,005
GRAP 17 Compliant Asset Register adjustments	-	20,828,472	20,828,472
Expenses recognised directly against reserve	(874)	-	(874)
Total changes	(874)	44,898,477	44,897,603
Balance at 01 July 2013 as restated	**156,314**	**360,681,573**	**360,837,887**
Changes in net assets			
• Transfer funds to operating	(156,314)	-	(156,314)
Prior year adjustment	-	997,032	997,032
Net income (losses) recognised directly in net assets	(156,314)	997,032	840,718
Surplus for the year	-	10,388,160	10,388,160
Total recognised income and expenses for the year	(156,314)	11,385,192	11,228,878
Total changes	(156,314)	11,385,192	11,228,878
Balance at 30 June 2014	**-**	**372,066,765**	**372,066,765**
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Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Cash receipts from customers		41,904,234	35,487,518
Grants		96,438,072	86,722,454
Interest income		687,059	738,945
		139,029,365	122,948,917
Payments			
Employee costs		(39,497,619)	(34,343,401)
Suppliers		(57,745,232)	(47,554,172)
Finance costs		(10,423,192)	(5,394,451)
		(107,666,043)	(87,292,024)
Net cash flows from operating activities	35	**31,363,322**	**35,656,893**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(40,468,868)	(40,535,825)
Purchase of other intangible assets	12	(99,889)	(45,638)
Proceeds from sale of financial assets		2,676,349	3,641,061
Movement in investment property		-	(41,050,360)
Movement in intangible assets		-	(105,968)
Net cash flows from investing activities		**(37,892,408)**	**(78,096,730)**
Cash flows from financing activities			
Movement of other financial liabilities		5,104,049	37,565,163
Net cash flows from financing activities		**5,104,049**	**37,565,163**
Net increase/(decrease) in cash and cash equivalents		**(1,425,037)**	**(4,874,674)**
Cash and cash equivalents at the beginning of the year		10,710,804	15,585,478
Cash and cash equivalents at the end of the year	9	**9,285,767**	**10,710,804**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	48,643,000	4,205,800	**52,848,800**	43,859,228	**(8,989,572)**	
Rental of facilities and equipment	89,000	(11,200)	**77,800**	100,542	**22,742**	
Licences and permits	3,201,000	(850,600)	**2,350,400**	2,629,818	**279,418**	
Other income - (rollup)	951,000	5,027,437	**5,978,437**	506,519	**(5,471,918)**	
Interest received - investment	646,000	(310,600)	**335,400**	687,059	**351,659**	
Total revenue from exchange transactions	**53,530,000**	**8,060,837**	**61,590,837**	**47,783,166**	**(13,807,671)**	
Revenue from non-exchange transactions						
Taxation revenue						
Fines	4,502,000	498,600	**5,000,600**	5,817,636	**817,036**	
Property rates	6,185,000	-	**6,185,000**	5,458,424	**(726,576)**	
Government grants & subsidies	54,844,000	9,754,211	**64,598,211**	96,438,072	**31,839,861**	
Total revenue from non-exchange transactions	**65,531,000**	**10,252,811**	**75,783,811**	**107,714,132**	**31,930,321**	
Total revenue	**119,061,000**	**18,313,648**	**137,374,648**	**155,497,298**	**18,122,650**	
Expenditure						
Personnel	(37,661,000)	(2,602,000)	**(40,263,000)**	(36,320,558)	**3,942,442**	
Remuneration of councillors	(2,893,000)	-	**(2,893,000)**	(3,176,616)	**(283,616)**	
Increase/(decrease) in provisions	-	-	**-**	1,082,862	**1,082,862**	
Depreciation and amortisation	(3,600,000)	-	**(3,600,000)**	(18,214,749)	**(14,614,749)**	
Finance costs	(1,075,000)	-	**(1,075,000)**	(10,423,192)	**(9,348,192)**	
Debt impairment	(3,000,000)	-	**(3,000,000)**	(2,171,039)	**828,961**	
Repairs and maintenance	(7,445,000)	-	**(7,445,000)**	(5,107,688)	**2,337,312**	
Bulk purchases	(32,300,000)	(4,000,000)	**(36,300,000)**	(34,389,634)	**1,910,366**	
Contracted Services	(5,980,000)	(1,520,000)	**(7,500,000)**	(5,199,959)	**2,300,041**	
General Expenses	(25,097,000)	(4,545,000)	**(29,642,000)**	(33,888,244)	**(4,246,244)**	
Total expenditure	**(119,051,000)**	**(12,667,000)**	**(131,718,000)**	**(147,808,817)**	**(16,090,817)**	
Operating surplus	**10,000**	**5,646,648**	**5,656,648**	**7,688,481**	**2,031,833**	
Fair value adjustments	-	-	**-**	2,699,679	**2,699,679**	
Surplus before taxation	**10,000**	**5,646,648**	**5,656,648**	**10,388,160**	**4,731,512**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**10,000**	**5,646,648**	**5,656,648**	**10,388,160**	**4,731,512**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	600,000	-	**600,000**	26,554,340	**25,954,340**	
Receivables from exchange transactions	-	-	**-**	133,097	**133,097**	
Receivables from non-exchange transactions	3,000,000	-	**3,000,000**	9,540,293	**6,540,293**	
VAT receivable	-	-	**-**	11,359,004	**11,359,004**	
Consumer debtors	26,000,000	-	**26,000,000**	35,434,637	**9,434,637**	
Cash and cash equivalents	12,000,000	-	**12,000,000**	9,285,767	**(2,714,233)**	
	41,600,000	**-**	**41,600,000**	**92,307,138**	**50,707,138**	
Non-Current Assets						
Investment property	-	-	**-**	59,902,708	**59,902,708**	
Property, plant and equipment	278,000,000	-	**278,000,000**	394,714,187	**116,714,187**	
Intangible assets	-	-	**-**	251,495	**251,495**	
Other financial assets	15,582,000	-	**15,582,000**	203,627	**(15,378,373)**	
	293,582,000	**-**	**293,582,000**	**455,072,017**	**161,490,017**	
Total Assets	**335,182,000**	**-**	**335,182,000**	**547,379,155**	**212,197,155**	
Liabilities						
Current Liabilities						
Other financial liabilities	19,000,000	-	**19,000,000**	61,801,863	**42,801,863**	
Payables from exchange transactions	29,100,000	-	**29,100,000**	91,051,787	**61,951,787**	
Consumer deposits	1,000,000	-	**1,000,000**	1,152,332	**152,332**	
Unspent conditional grants and receipts	-	-	**-**	12,041,167	**12,041,167**	
	49,100,000	**-**	**49,100,000**	**166,047,149**	**116,947,149**	
Non-Current Liabilities						
Other financial liabilities	-	-	**-**	545,551	**545,551**	
Employee benefit obligation	-	-	**-**	3,978,000	**3,978,000**	
Provisions	2,600,000	-	**2,600,000**	4,741,690	**2,141,690**	
	2,600,000	**-**	**2,600,000**	**9,265,241**	**6,665,241**	
Total Liabilities	**51,700,000**	**-**	**51,700,000**	**175,312,390**	**123,612,390**	
Net Assets	**283,482,000**	**-**	**283,482,000**	**372,066,765**	**88,584,765**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Housing Development Fund	156,000	-	**156,000**	-	**(156,000)**	
Accumulated surplus	283,326,000	-	**283,326,000**	372,066,765	**88,740,765**	
Total Net Assets	**283,482,000**	**-**	**283,482,000**	**372,066,765**	**88,584,765**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	44,328,000	7,450,000	**51,778,000**	41,904,162	**(9,873,838)**	
Grants	90,326,000	14,680,000	**105,006,000**	96,438,072	**(8,567,928)**	
Interest income	646,000	(311,000)	**335,000**	687,059	**352,059**	
	135,300,000	**21,819,000**	**157,119,000**	**139,029,293**	**(18,089,707)**	
Payments						
Employee costs	-	-	**-**	(39,497,619)	**(39,497,619)**	
Suppliers	(106,149,000)	(24,594,000)	**(130,743,000)**	(57,745,160)	**72,997,840**	
Finance costs	(915,000)	(160,000)	**(1,075,000)**	(10,423,192)	**(9,348,192)**	
	(107,064,000)	**(24,754,000)**	**(131,818,000)**	**(107,665,971)**	**24,152,029**	
Net cash flows from operating activities	**28,236,000**	**(2,935,000)**	**25,301,000**	**31,363,322**	**6,062,322**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(35,483,000)	(10,890,000)	**(46,373,000)**	(40,468,868)	**5,904,132**	
Purchase of other intangible assets	-	-	**-**	(99,889)	**(99,889)**	
Decrease (increase) other non-current receivables	-	6,000,000	**6,000,000**	-	**(6,000,000)**	
Proceeds from sale of financial assets	-	-	**-**	2,676,349	**2,676,349**	
Net cash flows from investing activities	**(35,483,000)**	**(4,890,000)**	**(40,373,000)**	**(37,892,408)**	**2,480,592**	
Cash flows from financing activities						
Movement of other financial liabilities	-	-	**-**	5,104,049	**5,104,049**	
Net increase/(decrease) in cash and cash equivalents	(7,247,000)	(7,825,000)	**(15,072,000)**	(1,425,037)	**13,646,963**	
Cash and cash equivalents at the beginning of the year	10,710,000	-	**10,710,000**	10,710,000	**-**	
Cash and cash equivalents at the end of the year	**3,463,000**	**(7,825,000)**	**(4,362,000)**	**9,284,963**	**13,646,963**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2014											
Financial Performance											
Property rates	6,185,000	-	6,185,000	-		6,185,000	5,458,424		(726,576)	88 %	88 %
Service charges	48,643,000	4,206,000	52,849,000	-		52,849,000	43,859,228		(8,989,772)	83 %	90 %
Investment revenue	646,000	(311,000)	335,000	-		335,000	687,059		352,059	205 %	106 %
Transfers recognised - operational	54,843,000	9,757,000	64,600,000	-		64,600,000	96,438,072		31,838,072	149 %	176 %
Other own revenue	951,000	5,027,000	5,978,000	-		5,978,000	11,754,194		5,776,194	197 %	1,236 %
Total revenue (excluding capital transfers and contributions)	**111,268,000**	**18,679,000**	**129,947,000**	**-**		**129,947,000**	**158,196,977**		**28,249,977**	**122 %**	**142 %**
Employee costs	(37,661,000)	(2,602,000)	(40,263,000)	-	-	(40,263,000)	(36,320,558)	-	3,942,442	90 %	96 %
Remuneration of councillors	(2,893,000)	-	(2,893,000)	-	-	(2,893,000)	(3,176,616)	(283,616)	(283,616)	110 %	110 %
Debt impairment	(3,000,000)	-	(3,000,000)			(3,000,000)	(2,171,039)	-	828,961	72 %	72 %
Depreciation and asset impairment	(3,600,000)	-	(3,600,000)			(3,600,000)	(18,214,749)	(14,614,749)	(14,614,749)	506 %	506 %
Finance charges	(1,075,000)	-	(1,075,000)	-	-	(1,075,000)	(10,423,192)	(9,348,192)	(9,348,192)	970 %	970 %
Materials and bulk purchases	(32,300,000)	(4,000,000)	(36,300,000)	-	-	(36,300,000)	(34,389,634)	-	1,910,366	95 %	106 %
Other expenditure	(25,097,000)	(4,544,000)	(29,641,000)	-	-	(29,641,000)	(43,113,029)	(13,327,740)	(13,472,029)	145 %	172 %
Total expenditure	**(105,626,000)**	**(11,146,000)**	**(116,772,000)**	**-**	**-**	**(116,772,000)**	**(147,808,817)**	**(37,574,297)**	**(31,036,817)**	**127 %**	**140 %**
Surplus/(Deficit)	**5,642,000**	**7,533,000**	**13,175,000**	**-**		**13,175,000**	**10,388,160**		**(2,786,840)**	**79 %**	**184 %**
Surplus/(Deficit) for the year	**5,642,000**	**7,533,000**	**13,175,000**	**-**		**13,175,000**	**10,388,160**		**(2,786,840)**	**79 %**	**184 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	(35,483,000)	(10,889,000)	(46,372,000)	-		(46,372,000)	-		46,372,000	- %	- %
Sources of capital funds											
Public contributions and donations	-	(40,867,000)	(40,867,000)	-		(40,867,000)	-		40,867,000	- %	DIV/0 %
Internally generated funds	-	(5,505,000)	(5,505,000)	-		(5,505,000)	-		5,505,000	- %	DIV/0 %
Total sources of capital funds	**-**	**(46,372,000)**	**(46,372,000)**	**-**		**(46,372,000)**	**-**		**46,372,000**	**- %**	**DIV/0 %**
Cash flows											
Net cash from (used) operating	28,236,000	(2,935,000)	25,301,000	-		25,301,000	31,363,322		6,062,322	124 %	111 %
Net cash from (used) investing	(35,483,000)	(4,890,000)	(40,373,000)	-		(40,373,000)	(37,892,408)		2,480,592	94 %	107 %
Net cash from (used) financing	-	-	-	-		-	5,104,049		5,104,049	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**(7,247,000)**	**(7,825,000)**	**(15,072,000)**	**-**		**(15,072,000)**	**(1,425,037)**		**13,646,963**	**9 %**	**20 %**
Cash and cash equivalents at the beginning of the year	10,710,804	(10,710,804)	-	-		-	10,710,804		10,710,804	DIV/0 %	100 %
Cash and cash equivalents at year end	**3,463,804**	**(18,535,804)**	**(15,072,000)**	**-**		**(15,072,000)**	**9,285,767**		**(24,357,767)**	**(62)%**	**268 %**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 GRAP 24: Presentation of Budget information

The municipality is required to present a comparison of the budget amounts for which it is held publicy accountable. The comparison of budget and actual amounts present seperately for each level of legislative oversight:

- the approved and final budget
- the actual amounts on a comparitive basis.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance is made for slow-moving, damaged and obsolete inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Provisions are measured using management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to the present value where the effect is material.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 13.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.3 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Accounting Policies

1.4 Property, plant and equipment (continued)

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Accounting Policies

1.4 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	
• Buildings	25-30 years
• Improvements	25-30 years
• Recreational facilities	20-30 years
Infrastructure	
• Roads and paving	30 years
• Pedestrian malls	15-30 years
• Electricity	20-30 years
Other property, plant and equipment	
• Specialist vehicles	5-10 years
• Other vehicles	4-7 years
• Office equipment	3-7 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Accounting Policies

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Accounting Policies

1.6 Financial instruments (continued)

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Accounting Policies

1.6 Financial instruments (continued)

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.6 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and Cash Equivalents	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Consumer Debtors	Financial asset measured at amortised cost
Receivables fromexchange transactions	Financial asset measured at amortised cost
Class 1 - Listed shares	Financial asset measured at fair value
Class 1 - Old Mutual	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Development bank of South Africa	Financial liability measured at amortised cost
INCA Loan	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

Accounting Policies

1.6 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.6 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies

1.6 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Accounting Policies

1.7 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Accounting Policies

1.10 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.11 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.12 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.13 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2013 to 30/06/2014.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note .

1.14 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered to be at arms length and in the ordinary course of business are not disclosed in accordance with IPSAS 20 Related Party Disclosure.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. We regard all individuals from the level of Accounting Officer and Council members as well as managers and directors reporting directly to the municipal manager as key management per the definition of the financial reporting standard.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or to be influenced by key management individuals, in their dealings with the entity.

1.15 Capital Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:
- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

1.16 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.17 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Useful life is either:

(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Accounting Policies

1.17 Impairment of non-cash-generating assets (continued)

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Accounting Policies

1.17 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.18 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Accounting Policies

1.18 Employee benefits (continued)

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.18 Employee benefits (continued)

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

Accounting Policies

1.18 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Accounting Policies

1.18 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.19 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.19 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.20 Revenue from exchange transactions

Revenue consists primarily of grants from National- and Provincial Government, services charges, rentals, interest received and other services rendered.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Accounting Policies

1.20 Revenue from exchange transactions (continued)

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Rendering of services consist out of solid waste, sanitation, sewerage and water.

Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.21 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.21 Revenue from non-exchange transactions (continued)

Assessment Rates

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- there has been compliance with the relevant legal requirements.
- Changes to property values during a reporting period, which are referred to as “interims”, are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised..

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.22 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.23 Borrowing costs

All borrowing costs are recognised as an expense in the period in which they are incurred.

1.24 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.25 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

1.26 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008),in the absence of guidelines in terms of Municipal Finance Management Act (Act No. 56 of 2003):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.29 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

Figures in Rand	2014	2013

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 25: Employee benefits	01 April 2013	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
GRAP 12 (as revised 2012): Inventories 01 April 2013 It is unlikely that standard	01 April 2013	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
GRAP 13 (as revised 2012): Leases	01 April 2013	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
GRAP 16 (as revised 2012): Investment Property	01 April 2013	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
IGRAP16: Intangible assets website costs	01 April 2013	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

Standard/ Interpretation:	Effective date:	Expected impact:
GRAP 6: Consolidated and Separate Financial Statements	01 April 2015	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
GRAP 7: Investments in Associates	01 April 2015	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
GRAP 8: Interests in Joint Ventures	01 April 2015	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
GRAP32: Service Concession Arrangements: Grantor	01 April 2015	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
GRAP108: Statutory Receivables	01 April 2015	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2015	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 105: Transfers of functions between entities under common control	No effective date	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
GRAP 106: Transfers of functions between entities not under common control	No effective date	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 107: Mergers	No effective date	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
GRAP 20: Related parties	No effective date	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
IGRAP 11: Consolidation – Special purpose entities	No effective date	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Figures in Rand	2014	2013

3. Inventories

Consumable stores	342,923	605,216
Water	37	1,168
Unsold Properties Held for Resale	26,211,380	23,925,060
	26,554,340	**24,531,444**
Inventories recognised as an expense during the year	440,662	677,157

Inventory pledged as security

No inventory was pledged as security for any financial liability.

4. Other financial assets

Designated at fair value		
Listed shares	66,289	52,948
Old Mutual - Investment Plan	137,338	127,349
	137,338	127,349
	203,627	**180,297**
Non-current assets		
Designated at fair value	203,627	180,297

Financial assets at fair value

Available-for-sale financial assets are recognised at fair value, unless they are unlisted equity instruments and the fair value cannot be determined using other means, in which case they are measured at cost. Fair value information was provided for these financial assets.

The following classes of available-for-sale financial assets are measured to fair value using quoted market prices:

Class 1 - Listed shares	66,289	52,948

Details of Listed Shares:
Sanlam - 778 shares
Senwes Ltd - 977 shares
Senwes Bel Ltd - 1497 shares

Class 2 - Old mutual - Investment Plan	137,338	127,349
	203,627	**180,297**

Figures in Rand	2014	2013

4. Other financial assets (continued)

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 1		
Class 1 - Listed Shares	66,289	52,948
Class 2 - Old Mutual	137,338	127,349
	203,627	**180,297**

Renegotiated terms

None of the financial assets that are fully performing have been renegotiated in the last year.

5. Receivables from exchange transactions

Contour: Pre paid Sales (Vendors)	125,651	742,502
Other receivables - Orion	7,446	-
	133,097	**742,502**

Receivables from exchange transactions pledged as security

None of the receivables from exchange transactions were pledged as security for any financial liability.

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

6. Receivables from non-exchange transactions

Grants not received (SDM for health salaries)	-	294,586
Eskom Deposits	3,165,524	2,980,158
EPWP funded by Kenneth Kaunda District Municipality	-	442,583
Department of Safety - Licence fees	118,796	-
Other	137,622	28,613
Rates	6,118,351	3,171,212
	9,540,293	**6,917,152**

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security for any financial liability.

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Figures in Rand	2014	2013

6. Receivables from non-exchange transactions (continued)

Rates - Ageing

Current (0 - 30 days)	403,588	456,713
31 - 60 days	1,168,168	329,398
61 - 90 days	245,294	304,312
> 90 days	4,301,301	2,080,789
	6,118,351	**3,171,212**

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	-	(1,559,606)
Reversal of allowance	-	1,559,606
	-	**-**

7. VAT receivable

VAT	11,359,004	5,984,859

The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only paid once cash is received or actual payments are made.

8. Consumer debtors

Gross balances		
Electricity	18,925,699	12,294,406
Water	5,672,815	4,832,037
Sewerage	9,437,573	7,133,799
Refuse	6,573,701	4,969,333
Debtors interest	5,079	5,079
Other	2,071	2,071
Sundry debtors	6,984,170	7,356,048
	47,601,108	**36,592,773**
Less: Allowance for impairment		
Electricity	(4,837,261)	(3,488,201)
Water	(1,449,927)	(1,342,916)
Sewerage	(2,412,170)	(1,983,018)
Refuse	(1,680,186)	(1,381,182)
Debtors interest	(1,298)	(1,412)
Sundry debtors	(1,785,629)	(2,041,461)
	(12,166,471)	**(10,238,190)**
Net balance		
Electricity	14,088,438	8,806,205
Water	4,222,888	3,489,121
Sewerage	7,025,403	5,150,781
Refuse	4,893,515	3,588,151
Debtors interest	3,781	3,667
Other	2,071	2,071
Sundry debtors	5,198,541	5,314,587
	35,434,637	**26,354,583**

Figures in Rand	2014	2013

8. Consumer debtors (continued)

Electricity		
Current (0 -30 days)	3,486,131	2,426,835
31 - 60 days	1,239,554	1,022,962
61 - 90 days	1,005,153	535,778
91 - 120 days	13,194,860	8,308,831
	18,925,698	**12,294,406**
Water		
Current (0 -30 days)	186,093	197,681
31 - 60 days	100,120	150,031
61 - 90 days	114,712	149,218
91 - 120 days	5,271,891	4,335,107
	5,672,816	**4,832,037**
Sewerage		
Current (0 -30 days)	348,670	384,948
31 - 60 days	275,935	324,125
61 - 90 days	261,510	304,143
91 - 120 days	8,551,458	6,120,583
	9,437,573	**7,133,799**
Refuse		
Current (0 -30 days)	212,581	257,754
31 - 60 days	174,120	220,199
61 - 90 days	166,431	204,294
91 - 120 days	6,020,569	4,287,086
	6,573,701	**4,969,333**
Debtors interest		
> 90 days	5,079	5,079
Other		
> 90 days	2,071	2,071
Sundry debtors		
Current (0 -30 days)	19,058	77,573
31 - 60 days	67,956	2,134
61 - 90 days	7,917	1,443
91 - 120 days	6,889,239	7,274,898
	6,984,170	**7,356,048**

Figures in Rand	2014	2013

8. Consumer debtors (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	1,676,819	1,459,970
31 - 60 days	2,070,714	1,149,855
61 - 90 days	1,098,334	867,570
> 90 days	34,211,002	24,130,223
	39,056,869	**27,607,618**
Industrial/ commercial		
Current (0 -30 days)	1,258,020	1,235,583
31 - 60 days	494,497	331,645
61 - 90 days	223,482	226,191
> 90 days	6,361,168	4,613,705
	8,337,167	**6,407,124**
National and provincial government		
Current (0 -30 days)	1,722,060	661,080
31 - 60 days	460,367	239,083
61 - 90 days	480,502	101,865
> 90 days	3,498,694	1,824,034
	6,161,623	**2,826,062**
Total		
Current (0 -30 days)	4,253,168	3,356,633
31 - 60 days	1,857,785	1,720,583
61 - 90 days	1,557,399	1,195,626
> 90 days	39,932,756	30,319,931
	47,601,108	36,592,773
Less: Allowance for impairment	(12,166,471)	(10,238,190)
	35,434,637	**26,354,583**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(10,238,190)	(11,214,272)
Contributions to allowance	(2,171,037)	-
Debt impairment written off against allowance	242,756	-
Reversal of allowance	-	976,082
	(12,166,471)	**(10,238,190)**

Consumer debtors pledged as security

None of the debtors were pledged as security for any financial liability.

None of the financial assets that are fully performing have been renegotiated in the last year.

Interest on consumer accounts

No interest is charged / levied on arrear consumer (debtors) accounts.

Figures in Rand	2014	2013

8. Consumer debtors (continued)

Consumer debtors impaired

As of 30 June 2014, consumer debtors of R12,166,471 (2013: 10,238,190) were impaired and provided for. In determing the recoverability of a consumer debtor, the municipality considers any change in the credit quality of the trade receiveable from the date credit was granted up to end of the reporting period.

Debtors with credit balances

Incuded in Consumer Debtors are credit balances amounting to R 3,838,045 (2013: R2,230,030). This related to payments made in advance by consumers.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3,840	3,840
Bank balances	1,070,593	545,715
Short-term deposits	8,211,334	10,161,249
	9,285,767	**10,710,804**

Additional disclosure:

There is a deposit account called "DIE PERDBEELD PROJEK" at ABSA with account number 20-2433-0721. This account has not been disclosed in this Annual Financial Statements figures as the bank could not provide copies of original signatories at the opening of the account. It is however believed that Council has full control over the funds as statements are sent` to the Council's postal address. Balance R47,446 (2013: R47,068)

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings, if available.

Credit Rating		
F1+	9,318,965	10,706,964

Short term deposits

Short term fixed deposits consists of::

Credit rating		
ABSA - Call Account (90-5547-5784)	-	1,875,234
ABSA - Deposit Account (3434-9789)	-	2,491,058
ABSA - Savings Account (80-7437-5155)	-	5,794,957
CALL ACC: FNB 62-4199-214-17	276,486	-
CALL ACC: FNB 62-4199-149-91	7,934,848	-
	8,211,334	**10,161,249**

Figures in Rand	2014	2013

9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA BANK, Ventersdorp branch - Primary Account - Account number 22-5000-0017	10,969	384,912	1,284,301	10,090	(1,066,069)	(133,250)
ABSA BANK, Ventersdorp branch - TMT Account - Account number 91-1105-1672	2,500	4,489	211,369	2,500	4,489	211,369
ABSA BANK, Ventersdorp branch - Housing Development Account - Account number 40-6038-4282	-	156,314	157,188	-	156,314	157,188
FNB, Ventersdorp branch - Primary Account - Account number 62-4132-46 - 241	951,502	-	-	(8,955,841)	-	-
FNB, Ventersdorp branch - Fines Account - Account number 62-4134-54-133	105,622	-	-	105,622	-	-
Total	**1,070,593**	**545,715**	**1,652,858**	**(8,837,629)**	**(905,266)**	**235,307**

Figures in Rand	2014	2013

10. Investment property

	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	59,902,708	-	59,902,708	57,228,793	-	57,228,793

Reconciliation of investment property - 2014

	Opening balance	**Fair value adjustments**	**Total**
Investment property	57,228,793	2,673,915	59,902,708

Reconciliation of investment property - 2013

	Opening balance	**Fair value adjustments**	**Total**
Investment property	53,588,600	3,640,193	57,228,793

Pledged as security

No investment property was pledged as security for any financial liability.

Investment properties are land/buildings held to earn rental income or for capital appreciation

Investment properties were valued using the fair value model in line with GRAP 16 requirements. The investment properties were valued as at 30 June 2014 by independent professional valuers.

Rental income from investment property in the reporting year that was recognised in surplus/(deficit) totalled R 0 (2013: R 0).

There were no direct operating costs relating to investment property.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Figures in Rand	2014	2013

11. Property, plant and equipment

	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land and Buildings	106,895,257	(41,101,339)	65,793,918	106,363,108	(37,292,774)	69,070,334
Infrastructure	533,673,462	(210,794,518)	322,878,944	496,574,198	(197,669,176)	298,905,022
Other property, plant and equipment	9,415,129	(3,373,804)	6,041,325	6,577,675	(2,092,962)	4,484,713
Total	**649,983,848**	**(255,269,661)**	**394,714,187**	**609,514,981**	**(237,054,912)**	**372,460,069**

Reconciliation of property, plant and equipment - 2014

	Opening balance	**Additions**	**Depreciation**	**Total**
Land and Buildings	69,070,334	532,150	(3,808,566)	65,793,918
Infrastructure	298,905,022	37,099,264	(13,125,342)	322,878,944
Other property, plant and equipment	4,484,713	2,837,454	(1,280,842)	6,041,325
	372,460,069	**40,468,868**	**(18,214,750)**	**394,714,187**

Reconciliation of property, plant and equipment - 2013

	Opening balance	**Additions**	**Depreciation**	**Total**
Land and Buildings	72,872,115	-	(3,801,781)	69,070,334
Infrastructure	271,223,914	39,484,785	(11,803,677)	298,905,022
Other property, plant and equipment	4,316,387	1,051,040	(882,714)	4,484,713
	348,412,416	**40,535,825**	**(16,488,172)**	**372,460,069**

Pledged as security

No property, plant and equipment asset was pledged as security for any financial liability.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

12. Intangible assets

	2014			2013		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	251,495	-	251,495	151,606	-	151,606

Reconciliation of intangible assets - 2014

	Opening balance	**Additions**	**Total**
Computer software, other	151,606	99,889	251,495

Figures in Rand	2014	2013

11. Property, plant and equipment (continued)

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Total
Computer software, other	105,968	45,638	151,606

Pledged as security

No Intangible assets were pledged as security for any financial liability.

The intangible assets include software packages for accounting and operational functions. There are no internally generated intangible assets for the Municipality.

13. Employee benefit obligations

Defined benefit plan

The Municipality offers employees and continuation members (pensioners) the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical aid scheme

Subsidy Arrangements

The Municipality subsidises the medical aid contributions of retired members in the following way:
Existing continuation members (pensioners) and their dependants will receive a 60% (4 members) or 70% (7 members) subsidy with no maximum (CAP)

The most recent actuarial valuation of the plan and the present value of the defined benefit obligation were carried out at 30 June 2014 by ZAQ Consultants and Actuaries.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	3,978,000	3,915,863

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	3,915,863	3,535,545
Actuarial loss	53,718	456,552
Benefits paid	(294,762)	(350,954)
Interest cost	303,181	274,720
	3,978,000	**3,915,863**

Figures in Rand	2014	2013

13. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount Rate	8.94 %	8.05 %
CPI (Consumer Price Inflation)	7.05 %	5.82 %
Medical Aid Contribution Inflation	8.05 %	7.32 %
Net Effective Discount Rate	0.82 %	0.68 %

Discount rate assumption

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:
"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

The discount rate was therefore set as the yield of the R209 South African government bond as at the valuation date. The actual yield on the R209 bond was sourced from the RMB Global Markets website on the 30th of June 2014.

Medical Aid Inflation

The medical aid inflation rate was set with reference to the past relationship between CPI and medical aid contribution rate Inflation. The underlying future rate of consumer price index inflation (CPI inflation) has been derived from the relationship between current conventional government bond yields (R209) and current index-linked bond yields (R202).

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. These increases were not substainable and an assumption has been made that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future. The previous valuation assumed general inflation + 1.5% for medical inflation.

Mortality Rates

Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Future subsidies can be expected to increase in line with medical inflation. It has been assumed that medical inflation will exceed general inflation by 1.5% per annum. A gap of between 1.5% and 2.0% is considered to be acceptable. Given the current market indicators, a larger differential would eventually force some members to select a less expensive option and have set the gap at 1.5% p.a.

Spouses and Dependants

It was assumed that there would be no dependent children and where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

Withdrawal

It was assumed that there would be no withdrawals of members.

Valuation of Assets

As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. Therefore no assets were considered as part of the valuation.

Figures in Rand	2014	2013

13. Employee benefit obligations (continued)

Sensativity Analysis

The liability has been recalculated usig the following assumptions:

-20% increase/decrease in the assumed level of mortality;
-1% increase/decrease in the Medical Aid inflation.

Mortality rate

	-20% Mortality rate	Valuation Assumption	+20% Mortality rate
Total Accrued Liability	R 4,409,000	R 3,978,000	R 3,646,000
Interest Cost	R 380,000	R 341,000	R 312,000

Medical aid inflation

	-1% Medical aid inflation	Valuation Assumption	+1% Medical aid inflation
Total Accrued Liability	R 3,659,000	R 3,978,000	R 4,343,000
Interest Cost	R 313,000	R 341,000	R 374,000

14. Housing Development Fund

The municipality closed the bank account on 31 January 2014 and transfered the amount to the current bank account.

Opening balance	156,314	157,188
Transfer to current bank account	(156,314)	-
Expenses for Housing Development fund	-	(874)
	-	**156,314**

15. Other financial liabilities

At amortised cost		
INCA Bears penalty interest at 17% as granted by the North Gauteng High Court in Pretoria on 03 August 2010.	61,801,863	54,638,122
Development Bank of South Africa The interest rate on the different loans varies between 8.78% & 12%. Installments are payable six monthly at the end of December and June or September and March each year. The loans are redeemable on 30 September 2017 and 30 June 2027.	545,551	2,605,243
	62,347,414	**57,243,365**
Total other financial liabilities	**62,347,414**	**57,243,365**
Non-current liabilities		
At amortised cost	545,551	2,605,243
Current liabilities		
At amortised cost	61,801,863	54,638,122

Defaults and breaches

A court judgement received on 03 August 2010 instructed the municipality to settle the liability. The municipality will not in the short term make any payments with regards to this liability. This is due to the fact that this matter is sub judice and it is expected that this liability of R61,801,863 (2013: R54,638,122) will be reduced to zero or removed in the next financial year.

Figures in Rand	2014	2013

16. Payables from exchange transactions

Trade payables	70,081,485	47,227,198
Retentions	4,525,343	4,211,896
Accrued leave pay	3,380,007	3,285,806
Contour Commission payable to vendors	-	42,323
Other Creditors	13,064,952	1,474,432
	91,051,787	**56,241,655**

The municipality defaulted on the payment of suppliers within 30 days. The average term of payment of suppliers for the current year was 339 days (2013: 377 days).

The terms were not renegotiated before the financial statements were authorised for issue.

Debtors with credit balances

Incuded in Consumer Debtors are credit balances amounting to R 3,838,045 (2013: R2,230,030). This related to payments made in advance. Refer to note 8 on consumer debtors

17. Consumer deposits

Electricity	1,152,332	1,111,765

No guarantees are held in lieu of Electricity deposits.

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	7,289,329	15,514,553
PMU - Municipal Infrastructure Grant	68,248	546,547
Municipal Systems Improvement Grant (MSIG)	-	458,247
Municipal Finance Grant (MFG)	-	-
Department of Water Affairs Grant (DWA)	2,184,441	287,951
Government Grant - Provincial Cleaning Campaign Grant	-	5,666
Integrated National Electrification Program Grant	-	238,049
Library Grant	270,002	266,264
Public Work Program Grant	45,718	-
Local Government Grant	2,183,429	2,822,594
Fire Department Subsidy	-	-
	12,041,167	**20,139,871**

Movement during the year

Balance at the beginning of the year	20,139,871	18,264,445
Additions during the year	52,747,000	35,237,960
Income recognition during the year	(45,835,704)	(33,362,534)
Withheld by National Treasury	(15,010,000)	-
	12,041,167	**20,139,871**

The municipality has complied with all the conditions set by the transferring organ of State or the conditions set by the other institutions who made allocations to the municipality. The unspent portion of conditional allocations are disclosed as unspent conditional grants on the face value of the Statement of Financial Position of the municipality.

The amounts will be recognised as revenue when conditions have been met.

Figures in Rand	2014	2013

18. Unspent conditional grants and receipts (continued)

See note 23 for reconciliation of grants received from National/Provincial Government and if any grants were withheld due to unfilled conditions.

19. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Total
Landfill site rehabilitation	4,672,994	-	(2,379,304)	2,293,690
Long service awards	2,068,000	380,000	-	2,448,000
	6,740,994	**380,000**	**(2,379,304)**	**4,741,690**

Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Landfill site rehabilitation	4,263,692	409,302	4,672,994
Long service awards	95,783	1,972,217	2,068,000
	4,359,475	**2,381,519**	**6,740,994**

Landfill site rehabilitation

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act, 28 of 2002). The provision was determined by an independent expert as at 30 June 2014 and approximates the discounted expected future cash flows using reasonable estimation techniques.

The discount rate used for the landfill sites is based on abond rate that matures as close as possible to the future date of the rehabilitation, adjusted by 1.5% for the circumstances of the Municipalirty.

The final restoration of landfill sites are expected to be over a period of 10 years, being the estimated useful lives of landfill sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

Figures in Rand	2014	2013

19. Provisions (continued)

Long service Awards

The most recent actuarial valuation of the liability and present value were carried out at 30 June 2014 by ZAQ Consultants and Actuaries. This is the first time the Municipality commissioned a valuation of this Long Service Awards and the value of the liability as at 30 June 2013 was based on the 2014 data (removing new members that joined over the year) and the standard 2013 set of assumptions.

The amount recognised in the statement of financial position are as follows:

Carrying value

Opening balance	2,068,000	1,620,000
Current Service Cost	243,000	200,000
Actuarial gain/(loss)	54,064	183,076
Benefits paid	(76,064)	(65,076)
Interest cost	159,000	130,000
	2,448,000	**2,068,000**

Key assumptions used

Assumptions used on the last valuation - 30 June 2014:

Discount Rate	7.96 %	7.40 %
CPI (Consumer Price Inflation)	6.33 %	5.66 %
Normal salary increase rate	7.33 %	6.66 %
Net Effective Discount Rate	0.59 %	0.69 %

19. Provisions (continued)

Discount Rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:
"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.".

The discount rate was therefore set as the yield of the R208 South African government bond as at the valuation date. The actual yield on the R208 bond was sourced from the RMB Global Markets website on the 30th of June 2014.
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Normal Salary Inflation Rate

The underlying future rate of consumer price index inflation (CPI inflation) was derived from the relationship between current conventional bond yields (R208) and current index-linked bond yields (R197). The actual yield on the R208 and R197 government bonds was sourced from the RMB Global Markets website. The assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2014 of 6.79%. The next salary increase was assumed to take place on 01 July 2015.

Promotional Salary Increase Rates

In addition to the normal salary inflation rate, the following promotional salary increases were assumed:

Age Band	Promotional Increase
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
45 and over	0%

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Withdrawal Decrements

The assumed rates of withdrawal from service is set out below:

Age Band	Withdrawal Rate Males	Withdrawal Rate Females
20 - 24	16%	24%
25 - 29	12%	18%
30 - 34	10%	15%
35 - 39	8%	10%
40 - 44	6%	6%
45 - 49	4%	4%
50 - 54	2%	2%
55 - 59	1%	1%
60 +	0%	0%

Figures in Rand	2014	2013

19. Provisions (continued)

Sensativity Analysis

The liability has been recalculated usig the following assumptions:

-20% increase/decrease in the assumed level of withdrawal rates
-1% increase/decrease in the Normal Salary cost inflation

Withdrawal rate

	-20% Withdrawal rate	Valuation Assumption	+20% Withdrawal rate
Total Accrued Liability	R 2,625,000	R 2,448,000	R 2,293,000
Current Service Cost	R 299,000	R 270,000	R 246,000
Interest Cost	R 214,000	R 199,000	R 186,000

Normal Salary inflation

	-1% Normal salary inflation	Valuation Assumption	+1% Normal salary inflation
Total Accrued Liability	R 2,269,000	R 2,448,000	R 2,649,000
Current Service Cost	R 247,000	R 270,000	R 297,000
Interest Cost	R 184,000	R 199,000	R 216,000

20. Revenue

Service charges	43,859,228	41,682,569
Rental of facilities and equipment	100,542	75,107
Licences and permits	2,629,818	2,440,287
Other income	506,519	901,460
Interest received - investment	687,059	738,945
Fines	5,817,636	3,176,973
Property rates	5,458,424	2,044,399
Government grants & subsidies	96,438,072	86,722,454
	155,497,298	**137,782,194**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	43,859,228	41,682,569
Rental of facilities and equipment	100,542	75,107
Licences and permits	2,629,818	2,440,287
Other income	506,519	901,460
Interest received - investment	687,059	738,945
	47,783,166	**45,838,368**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Fines	5,817,636	3,176,973
Property rates	5,458,424	2,044,399
Transfer revenue		
Government grants & subsidies	96,438,072	86,722,454
	107,714,132	**91,943,826**

Figures in Rand	2014	2013

21. Property rates

Rates received

Property rates	5,458,424	2,044,399

Valuations

Churches	16,789,000	16,789,000
Commercial	111,751,000	110,950,000
Industrial	34,377,000	35,178,000
Municipal	34,260,000	34,260,000
Recreational	27,532,000	27,532,000
Residential	616,598,930	616,446,930
Small holdings and farms	1,457,141,073	1,457,141,073
State	385,760	385,760
	2,298,834,763	**2,298,682,763**

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2010 are effective until 30 June 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.0048 cent (2013: R0.0041 cent) in the Rand on both the land and improvement value of residential properties is applied to property valuations to determine assessment rates. The first R50,000 (2013: R 15,000) of property value is exempted for residential properties.

2014
From 1 July 2013 the basic rates were adjusted as follows:

- R0.00147 on the value of rateable agriculture property
- R0.0048 on the value of rateable residential property
- R0.0147 on the value of rateable government property
- R0.0128 on the value of rateable business property
- R0.0111 on the value of rateable day care centre property
- R0.0051 on the value of rateable vacant property

13
From 1 July 2012 the basic rates were adjusted as follows:

- R0.00128 on the value of rateable agriculture property
- R0.0041 on the value of rateable residential property
- R0.0128 on the value of rateable government property
- R0.0128 on the value of rateable business property
- R0.0096 on the value of rateable day care centre property
- R0.0045 on the value of rateable vacant property

The new general valuation will be implemented on 01 July 2014.

22. Service charges

Sale of electricity	34,457,972	32,421,306
Sale of water	2,367,876	2,715,509
Solid waste	2,720,636	2,599,755
Sewerage and sanitation charges	4,312,744	3,945,999
	43,859,228	**41,682,569**

Figures in Rand	2014	2013

23. Government grants and subsidies

Equitable share	49,829,000	45,869,000
Municipal Finance Grant (MFG)	1,625,580	1,500,000
Municipal Infrastructure Grant (MIG)	17,747,752	19,939,291
Municipal Systems Improvement Grant (MSIG)	884,170	341,753
PMU - Municipal Infrastructure Grant (MIG)	669,220	740,915
Subsidy Fire Department	2,100,000	-
Department of Water Affairs (DWA)	8,303,510	600,960
Government Grant - Provincial Cleaning Campaign	5,666	62,598
Public Works Program Grant	954,282	1,143,215
Library Grant	316,262	163,371
Kenneth Kaunda District Municipality Grant	583,544	7,301,096
Kenneth Kaunda District Municipality - DBSA Loan Repayment	189,824	189,824
Integrated National Electrification Program	12,590,097	7,493,025
Local Government Grant	639,165	1,377,406
	96,438,072	**86,722,454**

Equitable Share

In terms of the Division of Revenue Act, the annual equitable share allocated to the municipality is an unconditional grant. A portion of this grant is used to subsidise the provision of basic services to indigent community members in line with national policy. In terms of the Constitution, this grant is used to subsidise the provision of basic and administrative services to community members.

All registered indigent consumers of municipal services receive a monthly subsidy of R 138.15 (2013: R 130.33),if the household income is below R 2,440(2013: R2,240) per month, which is funded from the grant.

Current-year receipts	49,829,000	45,869,000
Conditions met - transferred to revenue	(49,829,000)	(45,869,000)
	-	**-**

Municipal Finance Grant (MFG)

Current-year receipts	1,650,000	1,500,000
Conditions met - transferred to revenue	(1,625,580)	(1,500,000)
Witheld by National Treasury	(24,420)	-
	-	**-**

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

Figures in Rand	2014	2013

23. Government grants and subsidies (continued)

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	15,514,553	12,352,694
Current-year receipts	22,394,379	23,101,150
Conditions met - transferred to revenue	(17,747,752)	(19,939,291)
Witheld by National Treasury	(12,871,851)	-
	7,289,329	**15,514,553**

Conditions still to be met - remain liabilities (see note 18).

The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grants was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas.

PMU - Municipal Infrastructure Grant

Balance unspent at beginning of year	546,547	71,612
Current-year receipts	692,621	1,215,850
Conditions met - transferred to revenue	(669,220)	(740,915)
Witheld by National Treasury	(501,700)	-
	68,248	**546,547**

Conditions still to be met - remain liabilities (see note 18).

The grant is to be utilised for operating cost of the Project Management Unit (PMU) in regards to the Municipal Infrastructure Grant (MIG).

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	458,247	-
Current-year receipts	890,000	800,000
Conditions met - transferred to revenue	(884,170)	(341,753)
Witheld by National Treasury	(464,077)	-
	-	**458,247**

The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act, and related Legislation, policies and the local government turnaround strategy.

Department of Water Affairs (DWA)

Balance unspent at beginning of year	287,951	287,951
Current-year receipts	10,200,000	600,960
Conditions met - transferred to revenue	(8,303,510)	(600,960)
	2,184,441	**287,951**

Conditions still to be met - remain liabilities (see note 18).

The purpose of the grant is to fund bulk connector and internal infrastructure for water services at a basic level of service.

Figures in Rand	2014	2013

23. Government grants and subsidies (continued)

Government Grant - Provincial Cleaning Campaign

Balance unspent at beginning of year	5,666	68,264
Conditions met - transferred to revenue	(5,666)	(62,598)
	-	**5,666**

The grant is to be utilised for operating cost in regards to the Provincial Cleaning Campaign.

Integrated National Electrification Program

Balance unspent at beginning of year	238,049	1,031,074
Current-year receipts	13,500,000	6,700,000
Conditions met - transferred to revenue	(12,590,097)	(7,493,025)
Witheld by National Treasury	(1,147,952)	-
	-	**238,049**

The grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of infrastructure and rehabilitation of electrification infrastructure.

Library Grant

Balance unspent at beginning of year	266,264	109,635
Current-year receipts	320,000	320,000
Conditions met - transferred to revenue	(316,262)	(163,371)
	270,002	**266,264**

Conditions still to be met - remain liabilities (see note 18).

The grant is to be utilised for programme costs of the the library and other costs as per the library proposal.

Kenneth Kaunda District Municipality Grant

Current-year receipts	583,544	7,301,096
Conditions met - transferred to revenue	(583,544)	(7,301,096)
	-	**-**

Kenneth Kaunda District Municipality - DBSA loan repayment

Current-year receipts	189,824	189,824
Conditions met - transferred to revenue	(189,824)	(189,824)
	-	**-**

The purpose of the grant is to help the municipality with regards to the repayment of the DBSA loans.

Figures in Rand	2014	2013

23. Government grants and subsidies (continued)

Public Works Program Grant

Balance unspent at beginning of year	-	143,215
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(954,282)	(1,143,215)
	45,718	**-**

Conditions still to be met - remain liabilities (see note 18).

The grant is to be utilised for salary expenses for the expanded Public Works Program in accordance with the national cleaning campaign.

Local Government Grant

Balance unspent at beginning of year	2,822,594	4,200,000
Conditions met - transferred to revenue	(639,165)	(1,377,406)
	2,183,429	**2,822,594**

Conditions still to be met - remain liabilities (see note 18).

The grant is to be utilised for public infrastructure expenses. The funds were provided by Local Government.

Fire Department Subsidy

Current-year receipts	2,100,000	-
Conditions met - transferred to revenue	(2,100,000)	-
	-	**-**

The Grant was utilised to purchase two fire trucks for the Municipality

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 5of 2013), no significant changes in the level of government grant funding are expected over the forthcoming 2 financial years.

Figures in Rand	2014	2013
24. Other income		
Administration fees	38,558	39,786
Advertisements sign income	2,302	1,811
Clearance of Stands	1,031	-
Clearance certificates	5,564	9,416
Connection fees - Electricity	1,422	2,860
Connection fees - Water	4,081	4,480
Grave fees	113,719	104,712
Labour - New connection	7,282	51,884
Lost books	364	-
Lost books	65	83
Medical Aid - Continued members income	91,661	89,711
Membership card fees	2,415	4,520
Photo copies	2,927	148,189
Prepaid fines received	9,079	2,982
Re-connection fees	7,052	1,382
Renting - Land	20,726	41,475
Sale of top soil	4,689	14,571
Selling of stand	-	67,069
Skills development claim refund	80,653	-
Stock surplus	-	229,805
Tender documents	88,300	66,900
Town planning / building plans	18,651	11,111
Valuation certificates	5,978	8,713
	506,519	**901,460**
25. Investment revenue		
Interest revenue		
Bank	65,989	42,797
Interest earned on investments	621,070	696,148
	687,059	**738,945**
26. Employee related costs		
Basic	22,841,818	20,134,545
Acting allowances	760,726	716,651
Bonus	1,502,719	1,283,502
Company contributions (UIF, Medical aid & Pension)	6,635,932	5,691,863
Other short term costs	145,841	121,305
Overtime payments	2,096,473	1,472,812
Travel, motor car, accommodation, subsistence and other allowances	2,337,049	2,188,057
	36,320,558	**31,608,735**
Remuneration of Municipal Manager		
Annual Remuneration	871,451	815,750
Car allowance (Including subsistence and travelling)	134,069	125,500
Phone allownace	9,600	9,600
	1,015,120	**950,850**

The Municipal Manager was appointed on a five year contract starting on 3 November 2011.

Figures in Rand	2014	2013

26. Employee related costs (continued)

Remuneration of Chief Finance Officer

Annual Remuneration	617,479	407,371
Car allowance (Including subsistence and travelling)	108,018	51,000
Housing allowance	82,602	39,000
Phone allowance	12,000	4,800
	820,099	**502,171**

The Chief Financial Officer (CFO) was appointed in January 2013. There were two acting officials between the period July 2012 to December 2012 who are fulltime employees of the municipality. The first official was acting from January 2011 to 24 July 2012 while the second official was acting from the 25 July 2012 to December 2012.

Remuneration of executive director - Corporate and Human Resources (Corporate Services)

Annual Remuneration	502,872	433,222
Car allowance (Including subsistence and travelling)	171,199	147,487
Housing allowance	171,199	147,487
Phone allowance	9,600	8,800
	854,870	**736,996**

Remuneration of executive director - Engineering Services

Annual Remuneration	268,815	524,036
Car allowance (Including subsistence and travelling)	67,166	148,294
Housing allowance	59,757	118,913
Phone allowance	4,800	9,600
	400,538	**800,843**

The Director of Engineering services contract expired on the 30 September 2013. The position was vacant to the 06 April 2014 when he was was re-appointed.

Remuneration of executive director - Community Development

Annual Remuneration	419,198	471,268
Car Allowance	150,133	171,681
Housing allowance	142,914	148,294
Leave pay	-	9,600
Phone allowance	8,307	-
	720,552	**800,843**

The Director of Community Development's contract expired on 18 September 2013. She was re -appointed on 10 December 2013.

Remuneration of executive director - Strategic Planning & LED

Annual Remuneration	491,761	445,991
Car Allowance	171,199	160,257
Housing allowance	171,199	160,257
Phone allowance	9,600	9,600
	843,759	**776,105**

Figures in Rand	2014	2013

27. Remuneration of Councillors

Mayor	698,694	635,442
Allowance vehicle councillors	570,753	491,635
Allowance Councillors	1,677,621	1,473,179
Allowance cell phone	229,548	134,410
	3,176,616	**2,734,666**

Details relating to remuneration of Councillors are disclosed in note 38.

In-kind benefits

The Mayor is full-time. She is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties and has a full time driver.

28. Increase/(decrease) in provisions

Leave provision	1,296,442	1,229,595
Landfill site provision	(2,379,304)	409,302
	(1,082,862)	**1,638,897**

29. Depreciation and amortisation

Property, plant and equipment	18,214,749	16,488,171

30. Finance costs

Interest DBSA	70,851	106,305
Interest and penalties	7,163,793	3,426,837
Interest - Eskom	3,188,548	1,861,309
	10,423,192	**5,394,451**

31. Provision for bad debts

Increase/(Decrease) in provision for bad debts	2,171,039	(2,442,586)

32. Contracted services

Services rendered - BCX Support	593,752	628,713
Services rendered - Debt manager	85,517	-
Services rendered - Meter readings	253,674	246,745
Services rendered - Other Contractors	1,227,827	1,396,974
Services rendered - TMT	3,039,189	1,709,854
	5,199,959	**3,982,286**

33. Bulk purchases

Electricity	33,070,988	32,884,163
Water	1,318,646	1,192,708
	34,389,634	**34,076,871**

Figures in Rand	2014	2013

34. General expenses

Advertising	154,996	107,254
Auditors remuneration	2,700,496	2,243,415
Bank charges	192,964	234,047
Cleaning project Tshing (Mayor)	-	54,911
Contributions to post employment benefit	442,137	2,346,093
Education programmes	19,071	36,797
Electricity	762,584	562,563
Entertainment	69,165	115,297
Fuel	1,670,039	1,504,927
IDP document	31,601	440
Insurance	422,285	496,202
LED	88,098	41,067
Law amendments	6,414	-
Legal fees	2,078,628	2,695,997
Library programmes	117,125	129,883
Licence fee and licenses cards	207,250	190,962
MFG project	1,300,975	956,680
Material and Equipment	366,437	426,475
Other expenses	20,693,885	7,391,855
PMU Expenses	641,559	617,493
Penalty Fees / Cost for late payments	714,033	640,952
Postage and courier	271,266	243,547
Printing and stationery	473,500	373,981
Refuse	24,700	5,439
Rental of equipment	525,353	1,256,765
Rental of vehicles	-	284,101
Sewerage and waste disposal	21,805	655
Skills development levy	352,529	305,951
Stock surplus	(2,140,900)	(5,083,025)
Subsistance and travelling expenses	563,319	525,467
Telephone	714,596	828,258
Training and Development	184,437	92,760
Water	4,801	6,529
Workmans compensation	213,096	9,605
	33,888,244	**19,643,343**

Figures in Rand	2014	2013
35. Cash generated from operations		
Surplus	10,388,160	24,070,005
Adjustments for:		
Depreciation and amortisation	18,214,749	16,488,171
Fair value adjustments	(2,699,679)	(3,662,609)
Bad debts provision	2,171,039	(2,442,586)
Movements in retirement benefit assets and liabilities	62,137	380,318
Movements in provisions	(1,999,304)	2,381,519
Movement in Housing development fund	(156,313)	(874)
GRAP 17 Compliant Asset Register adjustments	(938,472)	-
Prior year adjustment	230,880	10,093,638
Inventories	(2,022,896)	(5,221,352)
Receivables from exchange transactions	609,405	(44,919)
Consumer debtors	(11,251,093)	(8,544,407)
Other receivables from non-exchange transactions	(2,623,141)	(2,430,836)
Payables from exchange transactions	34,810,132	4,008,131
VAT	(5,374,145)	(1,370,529)
Unspent conditional grants and receipts	(8,098,704)	1,875,426
Consumer deposits	40,567	77,797
	31,363,322	**35,656,893**
36. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• Community	-	18,595
• Electricity	328,565	312,082
• Roads and storm water	9,409,827	8,173,174
• Sanitation and Waste Management	436,453	626,359
	10,174,845	**9,130,210**
Approved not yet contracted for		
• Electricity	2,844,590	-
• Water	1,010,659	1,254,017
• Community	14,459,570	-
	18,314,819	**1,254,017**

Figures in Rand	2014	2013

37. Contingencies

Contingent liabilities

On 21 April 2010 SALGA signed the “Categorisation and job evaluation wage curves collective agreement” (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees’ jobs per the task job evaluation system. The municipality has not completed job evaluations for all of its employees and ass a result employees were not paid according to the wage scales and rates in the wage agreement. As a result of the uncertainties of the impact of the job evaluations on the wage scales and rates, the municipality may have an additional receivable / payable for employee wages depending on the outcome of the job evaluations. It is not practicable to reliably estimate the amount of this receivable/ payable prior to the outcome of the job evaluations.

The entity is being sued for some of the following pending claims. All the claims are being contested based on legal advice. The certainty and the timing of the outflow of these liabilities is uncertain. The amounts for 2013 have been restated from R59,989,108 to R9,554,848 as an amount of R50,434,260 was removed from th register that was included in the INCA longterm loan dispute. A court judgement was received on the 03 August 2010 instructing the municipality to settle the liabilty. The amounts disclosed below are possible outflows amounts:

Breach of contracts in respect of contractual agreements in various incidents	8,742,956	6,000,000
Claims by individuals due to damage of property in various incidents	480,515	257,034
Claims by individuals due to injuries in various incidents	-	17,216
Probable legal costs to be incurred for various matters being handled by various attorneys	7,803,761	3,280,598
	17,027,232	**9,554,848**

Figures in Rand	2014	2013

38. Related parties

Members of key management	
Mayor	CN Phoyane
Councillors	AL Jones
	JL Links
	M Matinyane
	MW Matinyane
	JM Matome
	MJ Mjuleni
	NS Moabi
	Mogwata C
	MJ Motladiile
	MT Motshabi
	VW Qankase
	SA Sidu
Municipal Manager	BJ Makade
Chief financial officer	MI Moruti
Section 57 managers	OG Moremedi (Director - Engineering Services)
	BMB Mosepele (Director - Community Development)
	SA Sidu (Director - Strategic Planning & LED)
	LD Mcameni (Director - Corporate and Human Resources)

Remuneration of Councillors - 2014	**Councillor Allowance**	**Telephone Allowance**	**Travel Allowance**	**Total**
Cllr Phoyane CN	508,370	20,868	169,456	698,694
Cllr Jones AL	152,511	20,868	50,837	224,216
Cllr Links JL	152,511	20,868	50,837	224,216
Cllr Matinyane M	152,511	20,868	50,837	224,216
Cllr Matinyane MW	152,511	20,868	50,837	224,216
Cllr Matome JM	152,511	20,868	50,837	224,216
Cllr Mjuleni MJ	152,511	20,868	54,484	227,863
Cllr Moabi NS	152,511	20,868	50,837	224,216
Cllr Mogwata C	152,511	20,868	50,837	224,216
Cllr Motladiile MJ	152,511	20,868	52,183	225,562
Cllr Motshabi MT	152,511	20,868	54,587	227,966
Cllr Qankase VW	152,511	20,868	53,640	227,019
	2,185,991	**250,416**	**740,209**	**3,176,616**

Remuneration of Councillors - 2013	Councillor Allowance	Telephone Allowance	Travel Allowance	Total
Cllr Phoyane CN	464,451	19,876	151,115	635,442
Cllr Jones AL	136,003	12,394	45,335	193,732
Cllr Links JL	111,132	10,329	37,778	159,239
Cllr Matinyane M	136,003	12,394	45,335	193,732
Cllr Matinyane MW	136,003	12,394	45,335	193,732
Cllr Matome JM	136,003	12,394	45,335	193,732
Cllr Mjuleni MJ	136,483	12,394	45,335	194,212
Cllr Moabi NS	136,003	12,394	45,335	193,732
Cllr Mogwata C	136,003	12,394	45,335	193,732
Cllr Motladiile MJ	136,003	12,394	45,335	193,732
Cllr Motshabi MT	136,003	12,394	45,335	193,732
Cllr Qankase VW	136,003	12,394	45,335	193,732
Cllr Sidu SA	1,535	139	511	2,185
	1,937,628	**154,284**	**642,754**	**2,734,666**

Key management and Councillors

No transactions took place between the entity and key management personnel or their close family members during the reporting period. Details relating to remuneration are disclosed in note 26 for key management and above for Councillors.

Figures in Rand	2014	2013

39. Prior period errors

In terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors::

39.1 Prior period errors - Year end Creditors

In the prior years the Workmans Compensation Act creditor was understated. The creditor has been reconciled to the 2011 and 2012 creditor statements and restated accordingly. The comparative figures for the 2012/2013 financial statements have been restated. The effect of the restatement is summarised below:

Statement of financial position		
Increase in Trade and Other Payables	-	(387,348)
Statement of Changes in Net Assets		
Decrease in Accumulated Surplus	-	387,348

39.2 Prior period errors - VAT Receivable

A SARS VAT audit for four (4) years from 2009 -2013 was finalised during the 2014 fianancial year. The VAT receivable was overstated The comparative figures for the 2013/2014 financial statements have been restated. The effect of the restatement is summarised below:

Statement of financial position		
Increase in Vat Receivable	-	(2,212,687)
Statement of Changes in Net Assets		
Decrease in Accumulated Surplus	-	2,212,687

39.3 Prior period errors - Other Financial Liabilities

A court Judgement dated 03 August 2010, instructed the municipality to settle the liability with INCA. In the prior year the amount was disclosed as a contingent liability. The comparative figures for the 2013/2014 financial statements have been restated. The effect of the restatement is summarised below:

Statement of financial position		
Increase in Other Financial Liabilities	-	(38,362,552)
Statement of Changes in Net Assets		
Decrease in Accumulated Surplus	-	38,362,552

39.4 Prior period errors - Year end Creditors

As per the court Judgement dated 03 August 2010, judgement was granted in favour of INCA. The accruals for the INCA loan has been reversed. The comparative figures for the 2013/2014 financial statements have been restated. The effect of the restatement is summarised below:

Statement of financial position		
Decrease in Trade and Other payable	-	11,425,643
Statement of Changes in Net Assets		
Increase in Accumulated Surplus	-	(11,425,643)

Figures in Rand		2014	2013

39. Prior period errors (continued)

39.5 Prior period errors - Inventory

Unsold Property held for resale was understated in prior year. The balance has been restated to agree to the Unsold Property held for resale register. The comparative figures for the 2013/2014 financial statements have been restated. The effect of the restatement is summarised below:

Statement of financial position			
Increase in Inventory		-	5,168,927
Statement of Financial Performance			
Decrease in General Expenses		-	(5,168,927)

39.6 Prior period errors - Provisions

Long service awards were understated in prior year in terms of GRAP 25. The comparative figures for the 2013/2014 financial statements have been restated. The effect of the restatement is summarised below:

Statement of financial position			
Increase in Provision		-	(1,965,775)
Statement of Financial Performance			
Increase in General Expenses		-	1,965,775

39.7 Prior period errors - Year end Creditors

The DBSA Loan liability was overstated in prior years. The accrual has been reconciled to DBSA Statement The comparative figures for the 2013/2014 financial statements have been restated. The effect of the restatement is summarised below:

Statement of financial position			
Decrease in Trade and other Payables		-	86,822
Statement of Changes in Net Assets			
Increase in Accumulated surplus		-	(86,822)

39.8 Prior period errors - Year end Creditors

The amount due to CMS water has been reconciled to the creditors statement. Credit notes have been applied to accruals raised in 2011/2012. The comparative figures for the 2013/2014 financial statements have been restated. The effect of the restatement is summarised below:

Statement of financial position			
Decrease in Trade and other Payables		-	122,288
Decrease in VAT receivable		-	(15,018)
Statement of Changes in Net Assets			
Increase in Accumulated surplus		-	(107,270)

Figures in Rand	2014	2013

39. Prior period errors (continued)

39.9 Prior period errors - Compliant Property, plant and equipment register, Intangible Assets and Investment Property

In the 2013 financial year, the municipality embarked on a project to reconstruct the property, plant and equipment, Intangible and Investment property asset registers of the municipality. The property, plant and equipment, Intangible and Investment property asset figures have been restated.

Statement of financial position		
Increase in Investment Property	-	103,023,953
Increase in Intangible assets	-	41,782,927
Other 3	-	151,606
Statement of Changes in Net Assets		
Increase in Accumulated surplus	-	(144,958,485)

39.10 Prior period errors - Consumer debtors

In the 2013 financial year, the municipality charged the consumers at the incorrect tarrifs . The consumer debtors figures have been restated to reflect the charge at the correct tarrifs.

Statement of financial position		
Decrease in consumer debtors	-	(248,030)
Statement of Financial Performance		
Decrease in service charges	-	258,557
Increase in Rental and Facilities	-	(10,526)

39.11 Prior period errors - Year end Creditors

The amount due to ITEC Connect was reconciled to the creditors statement. Credit notes have been applied to accruals raised in 2012/2013. The comparative figures for the 2013/2014 financial statements have been restated. The effect of the restatement is summarised below:

Statement of financial position		
Decrease in Trade and other payables	-	273,284
Statement of Financial Performance		
Decrease in General Expenses	-	273,284

39.12 Prior period errors - Year end Creditors

Insurance claims received has been transferred to Profit and loss. The comparative figures for the 2013/2014 financial statements have been restated. The effect of the restatement is summarised below:

Statement of financial position		
Decrease in Trade and other payables	-	1,043,765
Statement of Changes in Net Assets		
Decrease in Accumulated surplus	-	1,043,765

Figures in Rand	2014	2013

39. Prior period errors (continued)

39.13 Prior period errors - Bulk Purhases

The amount of bulk purchases from Eskom were incorrectly stated in the prior year. The comparative figures for the 2013/2014 financial statements have been restated. The effect of the restatement is summarised below:

Statement of Changes in Net Assets		
Increase in Accumulated surplus	-	30,472
Statement of Financial Performance		
Increase in Bulk purchases	-	30,472

39.14 Prior period errors - Property Rates and Receivables from non - Exchange Transactions

In the Prior years an incorrect tarrif was used to bill property rates for farmers. The comparative figures for the 2013/2014 financial statements have been restated. The effect of the restatement is summarised below:

Statement of financial position		
Decrease in Receivables from non- Exchange	-	3,844,053
Statement of Financial Performance		
Decrease in Property Rates	-	3,844,053

39.15 Prior period errors - Year end Creditors

The amount due to MTN was reconciled to the creditors statement. The comparative figures for the 2013/2014 financial statements have been restated. The effect of the restatement is summarised below:

Statement of financial position		
Increase in Trade and other payables	-	23,137
Statement of Financial Performance		
Decrease in General expenses	-	(23,137)

39.16 Prior period errors - Employee related costs

Salary overpayment occurred in the prior year for an official of the municipality. The comparative figures for the 2013/2014 financial statements have been restated. The effect of the restatement is summarised below:

Statement of Changes in Net Assets		
Decrease in Accumulated surplus	-	300
Statement of Financial Performance		
Decrease Employee related Cost	-	(300)

Figures in Rand	2014	2013

40. Risk management

Financial risk management

This note presents information about the municipality's exposure to each of the financial risks below and the entity's objectives, policies and processes for measuring and managing financial risks. Further quantitative disclosures are included throughout the Annual Financial Statements.

The Council has overall responsibility for the establishment and oversight of the entity's risk management framework.

The municipality's audit committee oversees the monitoring of compliance with the municipality's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the municipality. The audit committee is assisted in its oversight role by the municipality's internal audit function.

The municipality monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. The municipality has exposure to the following financial risks from its use of financial instruments:
- credit risk
- liquidity risk; and
- market risk (including interest rate risk and price risk).

The municipality seeks to minimise the effects of these risks in accordance with the municipality's policies approved by the Council. The policies provide written principles on foreign exchange risk, interest rate risk, credit risk and in the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The municipality does not enter into or trade in financial instruments for speculative purposes.

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The municipality has not defaulted on external loans, payables and lease commitment payments and no re-negotiation of terms were made on any of these instruments.

Impairment losses - all of the municipality's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been recorded accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the municipality.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

30 June 2014	**Less than 1 year**	**Between 1 and 2 years**
Other financial liabilities	61,801,862	545,551
Payables from exchange transactions	91,051,787	-

At 30 June 2013	**Less than 1 year**	**Between 1 and 2 years**
Other financial liabilities	54,638,122	2,605,243
Payables from exchange transactions	56,241,655	-

Figures in Rand	2014	2013

40. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.
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Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2014**	**2013**
Cash and cash equivalents	9,285,767	10,710,804
Receivables from exchange transactions	133,097	742,502
Other receivables from non exchange transactions	9,540,293	10,761,206
Consumer debtors	35,434,635	26,602,614

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the entity's revenue or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.
There has been no change, since the previous financial year to the entity's exposure to market risks or the manner in which it manages and measures the risk.

Market risk consists of the following risks:

1) Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer term borrowings are therefore usually at fixed rates. The entity's exposures to interest rates on financial assets and financial liabilities are detailed below:

At year-end, financial instruments exposed to interest rate risk were as follows:
- Call and notice deposits
- Development Bank of South Africa loans
- INCA loans

The entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the economic entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the entity to fair value interest rate risk. Entity policy is to make as far as possible use of fixed rate instruments. During 2013 and 2012, the economic entity's borrowings at variable rate were denominated in the Rand.

	Carrying amount	
Financial instrument	**2014**	**2013**
Available for sale investments - Listed shares	15,801	15,801
Available for sale investments - Old Mutual	120,000	120,000
Call and notice deposits	8,211,334	10,161,249
Development Bank of South Africa loans	545,551	2,605,243
INCA loans	61,801,863	54,638,122
	Fair Value	
Financial instrument	**2014**	**2013**
Available for sale investments - Listed shares	66,289	52,948
Available for sale investments - Old Mutual	137,338	127,349

Figures in Rand	2014	2013

41. Going concern

We draw attention to the fact that at 30 June 2014, the municipality had accumulated surplus of 372,066,765 and that the municipality's total assets exceed its liabilities by 372,066,765.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Although certain going concern ratios may appear unfavourable, the municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue (Act 6 of 2011).

42. Unauthorised expenditure

Opening balance	24,447,125	11,628,994
Unauthorised expenditure - current year	27,319,936	24,447,125
Approved by Council or condoned	-	(11,628,994)
	51,767,061	**24,447,125**

Details of unauthorised expenditure – current year

Incidents regarding 2013/2014	Disciplinary steps taken/criminal proceedings	
Overspending by Council general	None	7,223,573
Overspending by Technical Services	None	2,348,614
Overspending by Budget and Treasury	None	17,747,750
		27,319,937

Refer to Appendix E(1) and E(2) for more details..

43. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure - opening balance	26,393,701	9,824,926
Interest on late payments to Eskom	3,188,548	1,850,831
Penalty interest to various Creditors	4,961	96,800
Penalty interest payable to INCA	7,163,741	14,076,992
Interest paid on overdue accounts - AGSA	547,222	462,152
Penalty fees paid to Department of Economic Development Environment Conservation & Tourism	-	82,000
Settlement: ME Roodt vs Ventersdorp Local Municipality	161,850	-
Non attendance of summit	11,180	-
Outsourced services available within the municipality	16,000	-
Less: Amounts condoned	(9,824,926)	-
	27,662,277	**26,393,701**

Details of fruitless and wasteful expenditure incidents 2009/10

Disciplinary steps taken/criminal proceedings	Disciplinary steps taken/criminal proceedings		
Incorrect VAT claimed on payments made to Major Sekopo Trading	None	184,411	184,411
Penalty interest payable to INCA	None	330,724	330,724
Penalty interest to various Creditors	None	959,450	959,450
MIG Project - Tsetse Outdoor Sport Facility	None	93,517	93,517

Figures in Rand		2014	2013

43. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure incidents 2010/11	Disciplinary steps taken/criminal proceedings		
Penalty interest payable to INCA	None	1,214,103	1,214,103
Interest on late payments to Eskom	None	1,081,740	1,081,740
Penalty interest to various Creditors	None	1,004,800	1,004,800
Project Management - Kings & Associates Settlement	None	1,400,000	1,400,000

Details of fruitless and wasteful expenditure incidents 2011/12	Disciplinary steps taken/criminal proceedings		
Penalty interest payable to INCA	None	1,185,049	1,185,049
Interest on late payments to Eskom	None	1,442,836	1,442,836
Penalty interest to various Creditors	None	602,600	602,600

Details of fruitless and wasteful expenditure incidents 2012/13	Disciplinary steps taken/criminal proceeding		
Penalty interest payable to INCA	None	14,076,992	14,076,992
Interest on late payments to Eskom	None	1,850,831	1,850,831
Interest paid on overdue accounts - AGSA	None	462,152	462,152
Penalty interest to various Creditors	None	96,800	96,800
Penalty fees paid to Department of Economic Development Environment Conservation & Tourism	None	82,000	82,000

Details of fruitless and wasteful expenditure incidents 2013/14	Disciplinary steps taken/criminal proceedings		
Interest on late payment to Eskom	None	3,188,548	-
Penalty interest to various Creditors	None	4,961	-
Penalty interest payable to INCA	None	7,163,741	-
Interest on overdue account - AGSA	None	547,222	-
Settlement: ME Roodt vs Ventersdorp Local Municipality	None	161,850	-
Non attendance of summit	None	11,180	-
Outsourced services available within the municipality	None	16,000	-

The 2013 figures have been restated from R13,928,188 to 26,393,701 as an amount of R12,465,513 in regards to penalty interest for INCA was not correctly included.

44. Irregular expenditure

Opening balance	65,175,366	35,924,382
Add: Irregular Expenditure - current year	34,780,043	29,250,984
Less: Amounts condoned	(35,924,382)	-
	64,031,027	**65,175,366**

Analysis of expenditure awaiting condonation per age classification

Current year	34,780,043	29,250,984
Prior years	29,250,984	35,924,382
	64,031,027	**65,175,366**

Figures in Rand	2014	2013

44. Irregular expenditure (continued)

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Expenditure items identified where the quotation process was not followed	The expenditure was identified during the current financial year and still needs to be investigated.	627,342
Expenditure items identified where the quotation process was not followed	The expenditure was identified during the current financial year and still needs to be investigated.	34,152,701
		34,780,043

Details of irregular expenditure condoned

	Condoned by (condoning authority)	
Expenditure items identified where the quotation process was not followed	Council	3,165,505
Expenditure items identified where the quotation process was not followed	Council	32,758,877
		35,924,382

Figures in Rand	2014	2013

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	400,000	400,000
Amount paid - current year	(400,000)	(400,000)
Due and payable	**-**	**-**

Contributions to organised local government consists of annual subscriptions paid to SALGA.

Other levies paid

Skills development levy	332,105	305,951
Motor vehicle license fees collected and paid over to NWPLG	5,149,680	4,475,915
Amount paid - current year	(5,481,785)	(4,781,866)
	-	**-**

Audit fees

Opening balance	8,896,085	8,349,144
Current year fee	4,396,659	3,101,086
Amount paid - current year	(2,700,496)	(2,554,145)
	10,592,248	**8,896,085**

PAYE and UIF

Current year deductions and contributions	4,669,573	4,138,417
Amount paid - current year	(4,669,573)	(4,138,417)
	-	**-**

Pension and Medical Aid Deductions

Current year deductions and contributions	9,748,748	8,692,078
Amount paid - current year	(9,748,748)	(8,692,078)
	-	**-**

VAT

Opening balance	5,984,859	4,614,330
VAT Payable	6,114,530	(569,225)
VAT Paid	(616,380)	554,207
VAT Receivable	(5,597,737)	6,552,752
VAT Received	5,473,732	(5,167,205)
	11,359,004	**5,984,859**

VAT receivable shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

Figures in Rand	2014	2013

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

30 June 2014	Outstanding less than 90 days	Outstanding more than 90 days	Total
JONES A L	1,221	111	1,332
LINKS JL	524	28,832	29,356
QANKASE VW	-	2,394	2,394
MJULENI MJ	-	23,846	23,846
MOABI NS	536	2,913	3,449
MOTSHABI MT	289	-	289
	2,570	**58,096**	**60,666**

30 June 2013	Outstanding less than 90 days	Outstanding more than 90 days	Total
Links JL	390	33,147	33,537
Matinyane M	357	7,368	7,725
Matinyane MW	354	6,793	7,147
Matome JM	337	138	475
Moabi NS	350	3,143	3,493
Motshabi MT	212	-	212
	2,000	**50,589**	**52,589**

It was impractical to disclose the amounts outstanding for more than 90 days at any given point in time. Information was only available for amounts outstanding for more than 90 days at year end.

Distribution Losses

Material bulk water and bulk electricity losses during the year under review were as follows and are not recoverable:

The main reason for incurring water losses relates to burst water pipes, leaks and unmetered water sites.

The main reason for incurring electricity losses relates to heat dissipation when electricity flows through the conductors,illegal connections, meter tampering and incorrect metering.

Water distribution losses	Kilo liter	Cost per kilo liter	Total loss in Rand
Unaccounted water - 2014	11,227,689	0.0777	872,242
Unaccounted water - 2013	10,381,710	0.0700	726,720

Electricity distribution losses	KWh	Cost per KWh	Total loss in Rand
Distribution losses - 2014	20,550,280	0.7125	14,642,509
Distribution losses - 2013	16,534,745	0.7507	12,412,633

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

46. Events after the reporting date

A cash receipt's audit was performed on the sale of pre-paid electricity based on alleged allegations of financial misconduct by certain officials. At 30 June 2014 the investigation was still in progress. A report on the aforementioned invesigation was submitted to the municipality on 27 July 2014.

47. Services in-kind

Assistance from organisations

1) The North West Department of Finance has appointed a professional service provider to institute financial management measures that will assist in resolving the financial management issues currently being encountered by the Municipalities. An amount of R1,255,630 was paid to the professional service provider during the 2014 financial year.

2) The North West Department of Finance has appointed professional consultants to prepare a GRAP 17 compliant asset register for both movable and immovable assets. No payments were made to the consultants during the 2013/2014 financial year.